FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

By Facsimile & First Class Mail
Fax: (212) 856-9494

MAR 23 2012

E. Scott Morvillo, Esq.
Morvillo, Abramowitz, Grand, Iason,
Anello & Bohrer, P.C.
565 Fifth Avenue
New York, NY 10017

RE: MUR 6040
Fourth Lenox Terrace Associates
a/k/a Fourth Lenox Terrace
Development Associates
The Olnick Organization, Inc.

Dear Mr. Morvillo:

On March 20, 2012, the Federal Election Commission accepted the signed conciliation agreement you submitted on behalf of your client, Fourth Lenox Terrace Associates a/k/a Fourth Lenox Terrace Development Associates, in settlement of violations of 2 U.S.C. § 441a(a)(1)(A) and (C), provisions of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter.

Documents related to the case will be placed on the public record within 30 days. *See* Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003) and Statement of Policy Regarding Placing First General Counsel's Reports on the Public Record, 74 Fed. Reg. 66132 (Dec. 14, 2009). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. *See* 2 U.S.C. § 437g(a)(4)(B).

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the civil penalty is due within 30 days of the conciliation agreement's effective date. If you have any questions, please contact me at (202) 694-1650.

Sincerely,

Marianne Abely on PS

Marianne Abely
Attorney

Enclosure
Conciliation Agreement

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 6040
Fourth Lenox Terrace Associates	)	
a/k/a Lenox Terrace Development Assoc.	)	

CONCILIATION AGREEMENT

This matter was initiated by an externally generated complaint. The Federal Election Commission ("Commission") found reason to believe that Fourth Lenox Terrace Associates a/k/a Lenox Terrace Development Assoc. ("Fourth Lenox" or "Respondent") violated 2 U.S.C. § 441a(a)(1)(A) and (C) by making excessive in-kind contributions to Rangel for Congress ("RFC") and the National Leadership PAC ("NLP") (collectively "the Committees").

NOW, THEREFORE, the Commission and Respondent, having participated in informal methods of conciliation prior to a finding of probable cause to believe, pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), do hereby agree as follows:

I. The Commission has jurisdiction over Respondent and the subject matter of this proceeding.

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent voluntarily enters into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

Background

1. Respondent Fourth Lenox is a general partnership consisting of twenty partners; including eighteen individuals or trusts for individuals, and two limited liability corporations.

2. RFC is a political committee within the meaning of 2 U.S.C. § 431(4), and is the principal campaign committee of Representative Charles B. Rangel, who represents the 15th Congressional District in New York. NLP is a political committee within the meaning of 2 U.S.C. § 431(4), and is the "leadership PAC" associated with Rep. Rangel. NLP is registered with the Commission as a non-connected PAC and multicandidate committee. 11 C.F.R. § 100.5(g)(5); *see* Leadership PACs, 68 Fed. Reg. 67,013 (Dec. 1, 2003).

3. Fourth Lenox owns an apartment building at 40 West 135th Street in New York City ("building"). The building is part of a six-building apartment complex called Lenox Terrace, which is managed on behalf of Fourth Lenox by Hampton Management Company ("Hampton").

4. In 1996, Rep. Rangel signed a two-year lease for a rent-stabilized one-bedroom apartment on the 10th floor of the building ("Unit 10U" or "apartment 10U"). The Committees began occupying Unit 10U shortly after the lease was signed until October 2008. Rep. Rangel did not reside in Unit 10U and instead used the apartments on the 16th floor as his primary residence.

Applicable Law

5. The Federal Election Campaign Act of 1971, as amended ("the Act"), provides that no person shall make contributions to any candidate and his or her authorized political committees with respect to any election for federal office which in the aggregate exceed $2,100 for the 2006 election cycle and $2,300 for the 2008 election cycle. 2 U.S.C. § 441a(a)(1)(A). Further, no person shall make contributions to any other political committee in any calendar year, which in the aggregate, exceed $5,000. 2 U.S.C. § 441a(a)(1)(C). As a partnership, Fourth Lenox could have contributed up to $4,200 to RFC during the 2006 election cycle and $4,600 during the 2008 cycle (primary and general election combined), assuming that any contributions exceeding the primary election limits were properly designated for the general election. 2 U.S.C. § 441a(a)(1)(A); 11 C.F.R. § 110.1(b).

6. A "contribution" includes "any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for federal office." 2 U.S.C. § 431(8)(A)(i). The Commission's regulations provide that "anything of value" includes all in-kind contributions, including the provision of goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services. 11 C.F.R. § 100.52(d)(1). The regulations specifically include facilities as an example of such goods or services. *Id.* The amount of the in-kind contribution is the difference between the usual and normal charge for the goods or services at the time of the contribution and the amount charged to the political committee. *Id.* The usual and normal charge for goods means the price of those goods in

the market from which they ordinarily would have been purchased at the time of the contribution. 11 C.F.R. § 100.52(d)(2).

Facts

7. Prior to approximately 2004, most of the apartments at Lenox Terrace were rent-stabilized, meaning that they were subject to New York's Rent Stabilization Code, 9 NYCRR Parts 2520-2530 ("Code"), which limited annual rent increases (set by a rent guidelines board) and entitled tenants to have their leases renewed. However, a tenant had to use the rent-stabilized apartment as his or her primary residence in order for it to remain under rent stabilization; in addition, the apartment could be deregulated once the monthly rent reached $2,000 and it was subsequently vacated. The Code sets forth various factors that may be considered in determining whether a tenant remains a primary resident, including whether the tenant occupies the unit for an aggregate of less than 183 days in the most recent calendar year.

8. Starting in approximately 2003, Hampton, on behalf of Fourth Lenox, the landlord, instituted a non-primary residency program ("program") of actively investigating whether tenants of record in rent-stabilized apartments were residing in their units pursuant to the residency criteria set forth in the Code. The main objective of the program was to maximize profits for the landlord by recapturing apartments and possibly increasing the legal rent to $2,000 (through a combination of rent increases allowed by the Code) so that the apartments could become deregulated and rented at the market rate.

9. If information showed that the tenant of record had not been using the apartment as his or her primary residence for the most of the prior year or longer, the tenant generally was served with a notice of Fourth Lenox's intent not to renew the lease. The notice – commonly called a "Golub" notice – was required to be sent between 90 and 150 days prior to the expiration of the lease. The Golub notice contained facts supporting non-residency and notified the tenant that Fourth Lenox did not intend to renew the lease at the end of the current term. Fourth Lenox began serving Golub notices on non-primary tenants around the first half of 2003, well before the 2004 Golub period for Unit 10U, which ran from May 31 through July 31, 2004.

10. After receiving a Golub notice, if the tenant did not relinquish the apartment upon the expiration of the lease, Fourth Lenox generally started eviction proceedings by sending a notice to the tenant and filing an eviction action in New York Civil Court. Well before the date that rent-stabilized leases were up for renewal, Hampton provided a list of those tenants to an investigative agency, which then generated a written report with relevant information about each tenant, such as whether public records indicated multiple active addresses. Hampton would also direct inquiries to on-site staff, compare signatures by the purported tenant on various documents, and sometimes hire a private investigator to conduct a more thorough review.

11. Because Rep. Rangel did not use Unit 10U as his primary residence, the failure to take steps to evict Rep. Rangel was inconsistent with Fourth Lenox's lease renewal procedures, thereby allowing the Committees to use a rent-stabilized apartment for which the Committees paid less than they would have for office

space which was not subject to rent-stabilization protection. The difference constitutes an in-kind contribution under the Act, *see* 2 U.S.C. § 431(8)(A)(i), since the apartment was used as an office by the Committees "at a charge that is less than the usual and normal charge for such goods or services [which include 'facilities']," resulting in contributions to the Committees in excess of the Act's applicable limits. 11 C.F.R. § 100.52(d)(1).

V. Respondent violated the Act in the two ways:

1. Respondent violated 2 U.S.C. § 441a(a)(1)(A) by making excessive contributions to Rangel for Congress.

2. Respondent violated 2 U.S.C. § 441a(a)(1)(C) by making excessive contributions to the National Leadership PAC.

VI. Respondent will cease and desist from violating 2 U.S.C. § 441a(a)(1)(A) and (C).

VII. Respondent will pay a civil penalty of Nineteen Thousand Dollars ($19,000), pursuant to 2 U.S.C. § 437g(a)(5)(A).

VIII. Respondent contends that it did not intend to influence any federal elections or provide in-kind contributions to the Committees. However, in order to avoid disruption, uncertainty, inconvenience and the expense of protracted litigation and to achieve a non-judicial resolution of this matter, for purposes of this conciliation agreement only, respondent will not further contest the Commission's findings.

IX. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may

review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

X. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

XI. Respondent shall have no more than thirty (30) days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

XII. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Anthony Herman
General Counsel

BY: _____ 3/23/12
Daniel A. Petalas
Associate General Counsel
for Enforcement

Date

FOR THE RESPONDENT:

E. Scott Mz _____ 3/22/12
Position: Date

THIS IS THE END OF MUR # 6040